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Progress Being Made in Implementing the Community Development Block Grant Program. CDR-78-30; B-171630. January 24, 1978. 5 pp.

Report to Secretary, Department of Housing and Urban Development; by Henry Eschwege, Director, Community and Economic Development Div.

Issue Area: Domestic Housing and Community Development (2100); Domestic Housing and Community Development: Assisting Urban Communities to Prevent and Eliminate Blight and Deterioration (2102).

Contact: Community and Economic Development Div.

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The Department of Housing and Urban Development (HUD) is required to determine whether grantees have a continuing capacity to carry out their approved community development programs in a timely manner. However, some communities have budgeted funds for the same projects in their first-year, second-year, and third-year applications in spite of the fact that, at the time third-year funds were requested and budgeted, little or none of the first-year and second-year funds had been spent on the projects. HUD has developed various criteria for determining whether communities move forward on approved projects; one is an analysis of tangible evidence of accomplishment and another is comparison of progress made by comparable communities. HUD should: determine whether grantees will be able to spend funds budgeted for particular projects in the budgeted period and discourage grantees from requesting additional funding for these projects in subsequent applications unless spending of the additional funds can be reasonably assured; and withhold approval of new funds for continuing projects when spending on these projects is low and no reasonable assurance exists that requested funds will be spent in the upcoming year. (Author/HTW)



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-171630

24 JAN 1978

The Honorable
The Secretary of Housing and
Urban Development

Dear Madam Secretary:

As part of our continuing review of various Department of Housing and Urban Development activities, we inquired into the progress being made in implementing the Community Development Block Grant Program. We noted a matter that should be brought to your attention concerning the repeated approval by the Department of project funding when little or no progress was being made on projects. Although we identified this situation at only two area offices in Region II, it seemed quite possible that it may be occurring elsewhere throughout the country.

Legislation and Department regulations require the Department to determine whether grantees have a continuing capacity to carry out their approved community development programs in a timely manner. In practice, however, this has not always occurred. Some communities budgeted funds for the same projects in their first-, second-, and third-year applications notwithstanding the fact that, at the time the third-year funds were requested and budgeted, little or none of the first- and second-year funds had actually been spent on the projects.

The Department developed various criteria for determining whether communities move forward on approved projects. One is an analysis of expenditures, obligations, award of contracts, and other tangible evidence of accomplishment. Another criterion is to compare the progress made by communities of comparable size and activity. Each area office we visited (New York and Newark) maintained information on grant funds spent for the communities within its jurisdiction.

In the New York and Newark area offices, 56 communities were spending funds below each office average for the first 2 program years--55 and 43 percent, respectively.

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We selected for review 10 communities that had continuing projects included in their first-, second-, and third-year budgets. These communities included in their third-year applications some projects which they had spent from 0 to 36 percent of available funding. (See following table.)

<u>Community</u>	<u>Project type</u>	<u>Percent of available fund- ing spent dur- in first 2 program years</u>
<u>Newark area office</u>		
Bayonne, New Jersey	Waterline improvements	25.2
	Rehabilitation loans and grants	23.6
Jersey City, New Jersey	Neighborhood preservation	35.7
Union City, New Jersey	Urban renewal type	1.6
<u>New York area office</u>		
Albany, New York	Urban renewal type	6.7
	Redevelopment	14.2
	Scattered blight eli- mination	1.8
	Downtown redevelopment	4.8
Binghamton, New York	Redevelopment of central business district	1.2
	Maintain and expand in- dustrial base	3.5
	Redevelopment	0
	Code enforcement	0
	Parks and recreation	0
Glens Falls, New York	Code enforcement	0
	Clearance and demolition	4.1
Mt. Vernon, New York	Property acquisition	0
	Ice skating rink	0

North Hempstead, New
York

Property acquisition	0
Street improvements	0
Historic preservation	11.8
Code enforcement	16.3
Rehabilitation loans and grants	20.2
Neighborhood center	10.7

White Plains, New
York

Rehabilitation loans and grants	17.6
Street improvements	1.6

Yonkers, New York

Rehabilitation loans and grants	2.8
Urban renewal type	(a)

a/Less than 1 percent.

Source: Approved grant applications and performance reports submitted by the communities to HUD.

Although the communities of Glens Falls, North Hempstead, Binghamton, and Mt. Vernon, New York, had not spent any of their first- and second-year moneys on certain projects, additional funding was requested and approved by the Department for these projects for the third year.

For example, Mt. Vernon included two projects (property acquisition and construction of an ice skating rink) in its first- and second-year applications, the combined budgets of which totaled \$840,000. Although no funds were spent on these projects, Mt. Vernon's third-year budget for these same projects--\$123,000--was approved. A New York area office representative told us that low spending on these projects was not considered in approving the third-year budget.

In another instance, Bayonne, New Jersey, included two projects (water line improvements and rehabilitation loans and grants) in its first- and second-year application with combined budgets totaling \$685,000. First- and second-year spending for these projects was \$169,000--about 25 percent of the combined budgets. The Department subsequently approved a third-year budget of \$760,000 for these projects.

One project was delayed because alternative funding sources were being considered. The other was delayed because a rehabilitation consultant was not hired until sometime during the second-grant year.

Area office representatives told us that they did not consider low first- and second-year spending in approving third-year applications. Some said that they monitored performance as planned and requested explanations in instances of lack of progress. However, in both area offices a Community Development Block Grant budget was not disapproved because a community failed to make progress in implementing community development activities.

The New York area office Deputy Director told us that during the first 2 years of the program, emphasis was placed on other aspects of the program. He added that data on communities of comparable size and activity, a means identified by the Department as a measure of progress, was not available.

CONCLUSIONS

We believe that the Department should not approve additional funds for grantee projects when there has been little or no spending on these approved projects unless spending of the additional funds in the upcoming period can reasonably be assured. We also believe that the Department should direct communities, when projects have not progressed to the point where the additional funds are needed, to propose other projects that can be more readily implemented, resulting in a more immediate benefit to the community.

RECOMMENDATIONS

To assure that grant funds are not unnecessarily tied up and that communities make timely progress under the Community Development Block Grant Program, we recommend that the Department:

- Determine whether grantees will be able to spend funds budgeted for particular projects in the budgeted period and discourage grantees from requesting additional funding for these projects in subsequent applications unless spending of the additional funds can be reasonably assured. This screening is particularly

desirable during the Department's monitoring of the program, before these new applications have undergone local approval and are submitted to the Department.

- Withhold approval of new funds for continuing projects when spending on these projects is low and no reasonable assurance exists that requested funds will be spent in the upcoming year. The Department should suggest that communities propose other projects that can be more readily implemented.

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We would appreciate receiving your comments on actions planned or taken on the matters discussed in this report. If you would like to discuss these observations in detail, we will be happy to meet with you or members of your staff.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the four Committees mentioned above; your Inspector General and Assistant Secretary for Community Planning and Development; the Acting Director, Office of Management and Budget; House Committee on Banking, Finance and Urban Affairs; and Senate Committee on Banking, Housing and Urban Affairs.

Sincerely yours,



Henry Eschwege
Director